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Ontario, Hydro-Electric Inquiry
Commission, 1923-1924

J. ALLAN ROSS
FINANCIAL

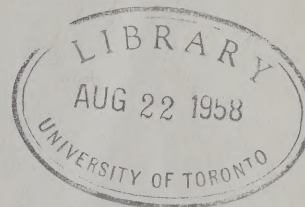
Commissioner

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HYDRO-ELECTRIC INQUIRY COMMISSION

(HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO)

Reports on investigation of accounts



REPORT ON INVESTIGATION OF ACCOUNTS

OF

ST. LAWRENCE SYSTEM

DATED NOVEMBER 7, 1922

Price, Waterhouse & Co.

ROYAL BANK BUILDING

TORONTO, ONT., CANADA

PRICE, WATERHOUSE & CO.

UNITED STATES, CANADA, MEXICO,
GREAT BRITAIN.

CONTINENTAL EUROPE, ETC.
PRICE, WATERHOUSE, PEAT & CO.
SOUTH AMERICA
PRICE, WATERHOUSE, FALLER & CO.
ALSO, GREAT BRITAIN
W. B. PEAT & CO.

ROYAL BANK BUILDING

TORONTO

November 7th, 1922

W. D. Gregory, Esq., Chairman,
Hydro-Electric Inquiry Commission,
Toronto, Ontario.

Dear Sir:

ST. LAWRENCE SYSTEM AND ST. LAWRENCE RURAL LINES

Pursuant to your instructions, we have made a general investigation of the accounts and records relating to the St. Lawrence System and the St. Lawrence Rural Lines, operated by the Hydro-Electric Power Commission of Ontario, and now beg to submit our report:

SCOPE OF INVESTIGATION

It has been considered, as in the case of the Niagara and other systems, that our investigation of the St. Lawrence System should be limited to a general review of the accounts and an inquiry into any important questions of principle which came to our attention, this procedure being adopted, due to the fact that the accounts of the Hydro-Electric Power Commission of Ontario have been audited to October 31, 1921, by Mr. G. T. Clarkson.

The accounts of the St. Lawrence System and the St. Lawrence Rural Lines are contained in and form a part of the general books of the Hydro-Electric Power Commission of Ontario, and embrace those listed below, upon which we are reporting herein.

ACCOUNTS	Balance as at	
	October 31, 1921	
	Debit	Credit
<u>CAPITAL INVESTMENT</u>	\$854,193.53	\$
<u>OPERATING ACCOUNTS</u>	-	
<u>RESERVE FOR RENEWALS-</u>		
St. Lawrence System		76,359.37
St. Lawrence Rural Lines		10.12
<u>RESERVE FOR SINKING FUND-</u>		
St. Lawrence System		15,197.50
St. Lawrence Rural Lines		195.11
<u>RESERVE FOR CONTINGENCIES</u>		3,372.65
<u>ACCOUNTS WITH MUNICIPALITIES-</u>		
Power Accounts Receivable	49,295.61	
Due by Municipalities in respect of Cost of Power	18,635.74	

In connection with the foregoing accounts we have prepared and attach hereto the following Exhibits:

- Exhibit I Operating Account of the St. Lawrence System
- " Ia Analysis of Revenue from Municipalities, etc., together with Horse Power Leads and Rates
- " II Operating Account of the St. Lawrence Rural Lines
- " III Statement showing the basis for the Annual Rate of Reserve for Renewals
- " IV Statement of Reserve for Contingencies
- " V Statement of accounts due by Municipalities in respect of the Cost of Power at October 31, 1921, still unpaid at September 20, 1922
- " VI Excerpts from Contract for supply of electrical power to a Municipality

HISTORY AND ORGANIZATION

Construction of certain Wood Pole Lines and Distributing Stations comprising the St. Lawrence System was commenced by the Commission in 1912, for the purpose of supplying electrical power to Brockville, Prescott and other municipalities. Upon completion of the construction and at the commencement of operations in 1914, the municipalities of Prescott, Winchester and Chesterville were taking

power, while at the close of the year ending October 31, 1921, the system was serving ten municipalities and two other consumers, as follows:

<u>Consumers</u>	<u>Date of Contract</u>	<u>Date Commenced Operating</u>
<u>Municipalities-</u>		
Prescott	July 26, 1912	December 1913
Winchester	November 13, 1912	January 1914
Chesterville	July 2, 1913	March 1914
Brockville	July 26, 1912	April 1915
Williamsburg	November 1, 1914	April 1915
Alexandria	January 26, 1920	January 1921
Maxville	January 26, 1920	February 1921
Apple Hill	May 25, 1920	April 1921
Lancaster	February 10, 1920	May 1921
Martintown	April 23, 1920	May 1921

Others-

Howard Smith Paper Mills, Limited (formerly Toronto Paper Mfg. Co., Limited - Contract for 10 year period, with extension privileges)	September 30, 1918 (no contract)	June 1919 August 1921
James Robertson		

A contract with each municipality has been executed by the Commission providing for the supply of power, at cost as authorized in the Power Commission Act, and in this connection we have given on Exhibit VI, excerpts of the joint agreement, with the municipalities of Brockville and Prescott, ratified, May 1, 1914 by the Legislature of Ontario.

During the year ending October 31, 1921, Rural Lines were constructed and put into operation in connection with furnishing power to the Town of Brockville and the District of Chesterville.

The System has received its supply of power from the following:

<u>Dates</u>	<u>Name</u>	<u>Rate per Horse Power</u>
From Dec. 1913 to March 31, 1916	New York & Ontario Power Company	\$14.00
" Apr. 1, 1916 to Apr. 30, 1919	M. F. Beach- Iroquois, Ontario	12.00
" May 1, 1919 to Oct. 31, 1921	Cedar Rapids Transmission Company, Limited	15.00
" Apr. 1, 1915 to Dec. 31, 1920 and intermittently since	Village of Morrisburg (for power supplied to Municipality of Williamsburg only)	14.00

We have been informed that, beginning in 1913, M. F. Beach was furnishing power to the Village of Iroquois and to the New York & Ontario Power Company, at a rate below \$12.00 per horse power. The Commission purchased this same power from the New York & Ontario Power Company at a rate of \$14.00 per horse power. When the Commission began taking power directly from Mr. Beach, \$12.00 was considered a fair price and payment was made at this rate during the period from April 1, 1916, to April 30, 1919. Concurrently, Mr. Beach was billing the Commission for power at \$16.00 per horse power and he has brought suit in the amount of \$8,190.78 (with interest from the date of issue of the writ of summons, February 18, 1922) against the Commission to recover the difference between \$12.00 and \$16.00 per horse power for power furnished, a hearing of the case being expected soon. The Commission has paid into court an amount of \$78.00 representing, in the main, rent for sub-station admitted by it as payable to Mr. Beach. Consideration is now being given to the appointment of a sole arbitrator in connection with this matter.

CAPITAL INVESTMENT - \$854,193.53:

As at October 31, 1921, the investment in lines, stations, etc., of the St. Lawrence System and in the St. Lawrence Rural Lines was as follows (cents omitted):

Particulars	As at October 31				
	1917	1918	1919	1920	1921
Wood Pole Lines	\$167,418	\$250,448	\$265,541	\$363,732	\$462,695
Transformer Stations and Transmission Lines	33,892	99,716	247,825	277,401	378,370
Rural Lines	-	-	-	-	13,129
<u>Total</u>	<u>\$201,310</u>	<u>\$350,164</u>	<u>\$513,366</u>	<u>\$641,133</u>	<u>\$854,194</u>

Inasmuch as the accounts have previously been audited it has been considered unnecessary for us to investigate the capital accounts in detail and they have, therefore, been accepted as correct. Particulars of the expenditures as indicated by the classification of the accounts were submitted to you on August 2, 1922.

Expenditures on Rural Lines at October 31, 1921 and at August 31, 1922, the date of the latest closing of the accounts, are as summarized below:

Particulars	October 31 1921	August 31 1922
Brockville Eastern Rural Service	\$ 9,951.74	\$10,158.06
Brockville Asylum farms and extension to Dr. Clark's farm	634.76	3,672.09
Brockville Rural Power District- Service for 6 consumers	-	511.18
Secondary equipment for one consumer	-	131.10
Primary and Secondary equipment, 1.4 miles of line for 10 consumers	-	1,210.38
Prescott Rural Power District- Primary and necessary secondary lines of 13.55 miles, to serve 52 consumers in Augusta and Edwardsburg Townships	2,037.05	24,005.33
Secondary lines, partly chargeable upon completion to consumers	-	175.27
Weatherproof conductors	-	747.56
Chesterville Rural District- .63 mile of primary line, etc., for Ridge Road rural extension from Chesterville - 3 consumers	505.78	546.43
3.9 miles of primary and secondary lines to serve 10 consumers	-	2,344.78
Martintown Rural District- .25 mile primary, etc. line to serve 20 consumers	-	1,830.75
Secondary line only	-	402.23
<u>Total</u>	<u>\$13,129.33</u>	<u>\$45,735.16</u>

According to The Rural Hydro-Electric Distribution Act,
1921-

"Where power is supplied to a rural power district under the provisions of The Power Commission Act and amendments thereto there may be paid to the municipality or Commission distributing the power in such rural power district upon the recommendation of The Hydro-Electric Power Commission of Ontario and the order of the Lieutenant-Governor in Council, a sum not exceeding fifty per cent. of the capital cost of constructing and erecting in the rural power zone primary transmission lines and cables required for the delivery of power in such rural power district. (Section 4)

The engineers and accountants of the Commission are now engaged in making a sub-division of the above expenditures as between those in respect of primary lines and those for other purposes, which, we understand, will serve as the basis for recommendations to be made by the Commission, in accordance with the provisions of the Rural Hydro-Electric Distribution Act. In this connection, it should be mentioned that the Commission has submitted to the Province, recommendations in respect of the above expenditures, as follows:

District	Estimated Miles of Line	Estimated Cost of Primary Lines	
		100%	50%
Chesterville	3.90	\$3,378.43	\$1,689.21
Brockville	1.40	2,377.31	1,188.66
Martintown	.25	337.82	168.91

An Order-in-Council relative to these estimates was approved under date of June 23, 1922.

Estimate of Additional Funds required
for Construction - \$396,000-

It has been estimated by the engineers of the Hydro-Electric Power Commission of Ontario that additional funds of \$276,000 and \$120,000, respectively, will be required for the purpose of this System in order to complete during the fiscal years ending October 31, 1922 and 1923 work now in progress and for additional works, better-

ments and extensions. The estimates are for the following:

<u>Particulars</u>	<u>Amount</u>
<u>Year ending October 31, 1922-</u>	
Cornwall Station	\$ 92,600
Estimated expenditures in connection with extension to Cornwall Station necessitated by a large increase on the load on the Niagara System, the building is being extended and a second bank of transformers will be added	
Brockville Station	106,000
Provision to be made in lines and extension for increase in load	
Miscellaneous betterments	20,000
To cover possible improvements and betterments to stations and lines	
Rural Lines	57,400
Expenditures on account of the rural distribution in townships already under application	
<u>Total year ending October 31, 1922</u>	<u>\$276,000</u>
<u>Year ending October 31, 1923-</u>	
Miscellaneous Stations and Lines	\$ 70,000
Including completion of line and station for Brockville extension	
Rural Lines	50,000
<u>Total year ending October 31, 1923</u>	<u>\$120,000</u>

It is recommended that a report upon these estimates should be made by Mr. Walter J. Francis.

OPERATING ACCOUNTS:

The Operating Account of the St. Lawrence System for each of the four years ending October 31, 1921, is attached hereto, Exhibit I, which is supported by Exhibit Ia, giving further details in respect of revenue and of rates for power. For convenience of

reference the following brief summary of the operating results for the four years sub-divided according to Municipalities and Companies (cents omitted) is given:

Particulars	For year ending October 31			
	1918	1919	1920	1921
<u>Municipalities-</u>				
Revenue (per Operating Account)	\$ 27,744	50,043	78,498	100,026
Operating Cost including power purchased	\$ 13,903	23,742	36,636	48,433
Fixed Charges	13,841	26,301	41,862	50,180
Loss on power sold to Private Companies	-	-	-	1,413
<u>Total Expenses</u>	\$ 27,744	50,043	78,498	100,026
<u>Balance</u>	Nil	Nil	Nil	Nil
<u>Companies-</u>				
Revenue (per Operating Account)	\$ -	3,969	22,870	32,966
Operating Cost including power purchased	\$ -	2,715	14,010	20,827
Fixed Charges	-	2,368	12,027	13,552
<u>Total Expense</u>	\$ -	5,083	26,037	34,379
<u>Balance</u>	\$ -	1,114	3,167	1,413
<u>Together-</u>				
Operating Cost, etc.	\$ 13,903	26,458	50,646	69,260
Fixed Charges	13,841	28,669	53,890	63,733
<u>Combined</u>	\$ 27,744	55,127	104,536	132,993
<u>Percentage of Fixed Charges to Total Expenses-</u>				
For Municipalities	49.89	52.56	53.33	50.89
" Companies	-	46.59	46.19	39.42
" Combined	49.89	52.01	51.55	47.92

The losses sustained through sales of power to Companies of \$1,114.81 and of \$3,167.22 during the years ending October 31, 1919 and 1920, respectively, were charged to the Reserve for Contingencies and

the loss of \$1,413.38 in 1921 was charged against the municipalities and included in the cost of power supplied to them.

In the report on the accounts as at October 31, 1921, Mr. Clarkson states that -

"Between 26th May and October 31st, 1921, the System furnished on an average approximately 1690 horse power to the Cornwall Pulp & Paper Company, Limited. After such power had been supplied, and when \$1000 had been received in part payment for it, the Company became financially embarrassed and there would - as at present - appear to be little, if any, prospect of the Commission realizing the balance due to it as of date October 31st, 1921, of \$17,621.87. The costs of such power were accordingly included in the costs of operation of the System payable by the Municipalities while no credit - as revenue - was taken for the \$17,621.87 owing by the Cornwall Pulp & Paper Company, Limited."

Under date of August 18, 1922, the authorized trustee notified creditors that the Cornwall Pulp & Paper Company, Limited, was adjudged bankrupt and a Receiving Order made on the 10th day of August, 1922, also, that first meeting of creditors would be held on August 23rd, 1922, and that proof of claim must be lodged before the meeting was held. In an affidavit dated August 23rd, 1922, a claim was filed with the trustee in the amount of \$46,838.98, which sum included the minimum monthly charge for electrical power, together with interest to July 31, 1922.

Upon the date inquired into by us (October 25, 1922) it was thought by the Secretary of the Commission that in view of the Commission not being a secured creditor, little, if any, amount will be realized on this claim.

With further reference to this Company, it should be mentioned that an indenture was drawn up, dated May 26, 1921, signed by officers of The Cornwall Pulp & Paper Company, Limited, but not executed by the Hydro-Electric Power Commission of Ontario.

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In the indenture it is recited that the customer is duly incorporated under the laws of the Province of Ontario and will erect a pulp and paper manufacturing plant to produce pulp and paper in the Town of Cornwall. The Commission agreed to reserve for and deliver to the customer 2000 electrical horse power at the rate of \$25.00 per horse power per annum, and the Company agreed to pay each month to the Commission a minimum sum, for 75% of the power held in reserve, which minimum is \$3,125. The agreement was to be for a period of ten years with provision for further extension at the expiration of that period, and the further stipulation in the partly executed indenture, is as follows:

"The Customer shall, contemporaneously with the executing of this agreement, deposit with the Commission a Bond satisfactory to the Commission as security to the Commission for the due carrying out by the Customer of the covenants and provisos therein provided for the sum of Ten Thousand Dollars (\$10,000) provided, however, that when the Customer's plant and works contemplated herein are completed and in operation, if the financial standing of the Customer is such that some other method of securing the Commission, satisfactory to the Commission, is agreed upon, the same shall be substituted for the Bond, otherwise, this Bond is to be continued in full force and effect for the space of ten years."

The Secretary of the Commission has informed us that the contract was not presented to the Hydro-Electric Power Commissioners for approval and execution, nor to the Provincial Government for ratification, as The Cornwall Pulp & Paper Company, Limited, had failed to provide bond as specified in the foregoing.

It will be seen from the summary of operating results previously mentioned, that the municipalities were charged with cost of power and the distribution thereof and with that proportion of fixed charges which pertained to the power supplied. The power sold to private companies was charged with its proper proportion of operating expenses, fixed charges, and the losses incurred on the sale

of the power were charged, either to the Reserve for Contingencies, or to the Municipalities, as previously explained.

The operating results are those stated in the published accounts of the Commission. As at October 31, 1921 an adjustment, representing a reduction of \$17,709.88, was made by the Commission in the amounts reserved for renewals, included in the cost of power, from the inception of the System to October 31, 1920, the renewal rate having been decreased from 4% to 3% on the basis more fully discussed in connection with the Reserve for Renewals Account. Of the total adjustment, \$10,484.70, exclusive of interest, is applicable to three of the periods included in the above summary of operating results and the effect thereon is to reduce the fixed charges as compared with the total expense, including fixed charges in 1918, 1919 and 1920 by 3.29%, 3.18% and 2.63%, respectively.

The operating results for the ten months ending August 31, 1922, as furnished by the Accountant of the Commission, show on the basis of the 1922 interim rates, an excess of \$8,483.04 of receipts over the total operating expenses and fixed charges, the fixed charges and certain other estimated expenses being subject to modification upon the annual review and adjustment of the accounts. Interest on the capital investment has been included in the fixed charges, calculated at the interim rate of 5 per cent. per annum, as compared with the actual rate in 1921, of 4.55 per cent. The average monthly operating expenses, including fixed charges, are \$12,564.76 and \$11,082.76, respectively, for the ten months ending August 31, 1922 and for the twelve months ending October 31, 1921, an average monthly increase in 1922 of \$1,482.00. Of the total increase, \$764.77 represents an increase in interest charges, and \$283.63 an increase in provision for renewals.

The electrical power purchased during the four years reported upon by us, is as follows:

Particulars	Year ending October 31							
	1918		1919		1920		1921	
	Amount	H.P.	Amount	H.P.	Amount	H.P.	Amount	H.P.
M. F. Beach	\$6,329	524	3,282	272	-	-	-	-
Village of Morrisburg	231	17	308	22	260	19	44	3
Cedar Rapids Transmission Co., Limited	-	-	11,581	772	33,450	2230	46,397	3093
<u>Total</u>	<u>\$6,560</u>	<u>541</u>	<u>15,171</u>	<u>1066</u>	<u>33,710</u>	<u>2249</u>	<u>46,441</u>	<u>3096</u>

The rates charged the Commission for the power purchased are as follows:

M. F. Beach-
 \$12.00 per horse power plus \$3.00 per month
 for rent of ground for sub-station

Village of Morrisburg-
 \$14.00 per horse power

Cedar Rapids Transmission Company, Limited-
 \$15.00 per horse power

For the ten months ending August 31, 1922, the Transmission Company furnished the System electrical power at a cost of \$45,897.06 representing \$15.00 per horse power, for an average of 3059.8 horse power.

During the year ending October 31, 1921, as set forth in Exhibit I, extraordinary maintenance expenses of \$2,359.12 were included as a part of the cost of power and consist of the following:

Installation and removal costs plus difference in price of steel cable sent to stores - the work was done on the line from the Cornwall Station to the Toronto Paper Company plant	\$2,049.00
Difference between purchase price and transfer price of switching equipment sent to stores (Morrisburg)	144.92
Installation and removal costs of 1-750- 450 kv-a transformer put in reserve equipment	110.00
Miscellaneous items	55.20
<u>Total</u>	<u>\$2,359.12</u>

In 1921, the Commission began supplying power to the municipalities of Alexandria, Apple Hill, Lancaster, Martintown and Maxville and during the broken period ending October 31, 1921, the cost of power to these municipalities resulted in the rates per horse power set forth on Exhibit I-a. The rates shown are, for the most part, attributable to the small quantities of power taken as compared with the respective capital investments, upon which of course, fixed charges must be paid.

The case of Lancaster with a rate of \$337.63 per horse power may be used for illustration. The power furnished this municipality is obtained from a sub-station at Martintown at the same rates as are charged Martintown, to which is added the entire cost of transmitting the power from Martintown to Lancaster, a distance of twelve or thirteen miles. The investment in the transmission line from Martintown to Lancaster at October 31, 1921, amounted to \$32,472.11 and on the basis of the cost plan adopted, the fixed charges to be paid by Lancaster amounted to \$208.15 per horse power of electric energy taken as no other consumers were, up to October 31, 1921, served thereby.

In addition to the information shown on Exhibit I-a we submit the following, showing the cost per horse power of operating expenses and of fixed charges (cents omitted from total amounts):

Municipality	H.P. taken (on annual basis)	Actual Cost per H.P. (as adjusted)	Operating Expenses		Fixed Charges	
			Total	Per H.P.	Total	Per H.P.
Alexandria	96.2	\$ 99.92	\$ 4,305	44.75	5,307	55.17
Apple Hill	5.7	127.37	462	80.98	264	46.37
Lancaster	6.1	337.63	790	129.48	1,270	208.15
Martintown	3.4	146.50	332	97.57	146	42.94
Maxville	19.6	171.96	1,559	79.54	1,811	92.42

We have been informed by the Engineer in charge of operations of the St. Lawrence System that since the close of the last fiscal year a number of new consumers have been taken on the lines serving

the above municipalities, and it is his opinion that the increased load will reduce the cost per horse power as shown above.

The Operating Account of the St. Lawrence Rural Lines for the year ending October 31, 1921, this being the first year of operation, is attached hereto, Exhibit II. This exhibit shows that there was a net surplus of revenue over the fixed charges in respect of the lines operated by the Commission, of \$64.97. The Town of Brockville collects all revenues and pays the operating expenses relating to the lines which it operates, and it pays to the Commission, the fixed charges in respect of Rural Lines adjacent thereto.

<u>RESERVE FOR RENEWALS-</u>	ST. LAWRENCE SYSTEM	\$76,359.37 ;
	ST. LAWRENCE RURAL LINES	10.12

During the period from the commencement of operations in 1914 to October 31, 1920, the additions to the Reserve for Renewals in respect of properties of the St. Lawrence System, were provided through inclusion in the cost of power to the municipalities, of an annual charge of 4% on the capital investment, together with interest at 4% per annum on the balance in the Reserve Account.

In the fiscal year ending October 31, 1921, upon the advice of its engineers, the Commission reduced the annual renewal rate from 4% to 3% on the capital investment, while the interest rate of 4% remained unchanged. The accounts of the Commission were so adjusted that the rate of 3% was made effective from the inception of the system to October 31, 1921, and the cost of power to the municipalities correspondingly reduced. The amount of the adjustments was \$17,709.88 and the effect by years is as follows:

<u>Year</u>	<u>Annual Provision</u>	<u>Interest</u>	<u>Together</u>
1914	\$ 1,122.93	\$ -	\$ 1,122.93
1915	1,285.28	44.91	1,330.19
1916	1,695.84	98.10	1,793.94
1917	1,751.71	169.88	1,921.59
1918	1,707.73	247.16	1,954.89
1919	3,392.71	325.32	3,718.03
1920	5,384.26	474.05	5,858.31
<u>Total</u>	<u>\$16,359.46</u>	<u>\$1,359.42</u>	<u>\$17,709.88</u>

Of the above amount, \$1,353.93 representing adjustment of cost of power sold to the Toronto Paper Manufacturing Company, Limited, was credited to the Reserve for Contingencies and the balance, or \$16,355.95 was credited to the various municipalities as follows:

<u>Municipality</u>	<u>Amount</u>
Brockville	\$ 7,724.44
Chesterville	3,272.87
Prescott	2,902.35
Williamsburg	294.70
Winchester	2,161.59
<u>Total</u>	<u>\$16,355.95</u>

A summary of the Reserve Account with a balance of \$76,359.37 as constituted at October 31, 1921, upon the 3% basis, follows:

<u>Period</u>	<u>Provision</u>	<u>Interest</u>	<u>Together</u>
1914 to October 31, 1916	\$12,312.11	\$ 429.13	\$12,741.24
Fiscal year ending October 31,			
1917	5,285.12	509.65	5,794.77
1918	5,123.18	741.44	5,864.62
1919	10,178.07	976.03	11,154.10
1920	16,152.76	1,422.19	17,574.95
1921	20,940.89	2,125.18	23,066.07
<u>Totals</u>	<u>\$69,992.13</u>	<u>\$ 6,203.62</u>	<u>76,195.75</u>

Add- Reserve applicable to equipment transferred from other Systems			2,962.57
<u>Total</u>			<u>\$79,158.32</u>

Deduct-			
Portion of Reserve applicable to equipment transferred to other systems, sundry replacements, etc.	\$ 2,702.64		
Interest applicable to these charges	96.31		2,798.95
<u>Balance at October 31, 1921</u>			<u>\$76,359.37</u>

The annual rate of 3% was determined by a reclassification of the properties as reflected in the book accounts as at October 31, 1920, made by the Engineering Department of the Commission. The reclassification of properties, the estimated life, residual value, etc., are set

forth in Exhibit III. The actual rate arrived at was 2.914% as shown in the exhibit, while the rate of 3% of the capital investment was adopted as a matter of accounting convenience. In arriving at the above mentioned rate clerical errors in the computation were made by the Engineering Department, which have since been disclosed, so that the ratio of the required annual provision on the basis of the properties as at October 31, 1920, was actually 2.098% instead of 2.914% as originally calculated, a difference of .816%. The corrected figures are also given in Exhibit III. As a result of this discrepancy, we understand, the Commission is now considering the advisability of a further reduction in the annual renewal rate and a consequent adjustment of the entire Reserve for Renewals Account.

The sinking fund basis of making additions to the Reserve at the rate of 3% together with interest at 4% per annum is equivalent to a straight line provision of approximately $4\frac{1}{2}\%$ for a period of twenty-two years. That is, while the annual provisions under the two methods differ in amount, either method would accumulate the sum required within approximately that period, provided no charges were made against the account.

Rural Lines in the District of Chesterville represent the only rural lines in this System operated by the Commission and in respect of which renewal provisions are required to be made in the accounts of the Commission. The investment in these lines at October 31, 1921, amounted to \$505.78, and the amount of renewals provided therefor as at that date, is \$10.12.

RESERVE FOR SINKING FUND -	ST. LAWRENCE SYSTEM	\$15,197.50
	ST. LAWRENCE RURAL LINES	105.11

Under Section 23 (b) of the Power Commission Act, the Hydro-Electric Power Commission is required to provide "an annual sum sufficient

to form in thirty years with interest at 4% per annum a sinking fund for the repayment of the advances made by Ontario under this Act for the payment of the cost of the works," and under the second main paragraph of the same Section "A municipal Corporation which has entered into or shall hereafter enter into a contract with the Commission for a supply of power may be relieved by the Commission from payment of any sum on account of the sinking fund account for the first five years, during which payments are made to the Commission by the corporation under such contract, and the amounts required from such corporation on sinking fund account shall be payable during the then next ensuing thirty years."

The basis for ascertaining the amount of the reserve for sinking fund each year is, for the St. Lawrence System, capital cost of the lines, stations, etc., completed and in operation. The method used by the Commission in calculating the amount of the reserve is the same as that described in the report on the Niagara System.

In accordance with the above, all Municipalities in the St. Lawrence System were relieved from payment of sinking fund for a period of five years. From the dates collections were started, to October 31, 1931, the sums provided and included in the cost of power to municipalities and to companies, together with interest, are as follows:

Particulars	Year ending October 31		
	1920	1931	Together
Amounts included in cost of power-			
To Municipalities	\$2,722.76	\$7,869.61	\$10,592.37
" Companies	1,916.91	2,562.63	4,479.54
Interest at 4% per annum	-	185.59	185.59
<u>Balance at October 31, 1931</u>			<u>\$15,257.50</u>

Of the total amount of \$15,197.50, as shown above, \$10,641.28 and \$4,556.22 were collected from municipalities and from Companies, respectively. The above shows the total amount collectible as at October 31, 1921, from five municipalities which had been taking power for six years, or longer, the initial charge being included in the sixth year's power cost. The amount of sinking fund deferred as at that date amounted to \$7,243.96 representing deferments of one year's sinking fund requirements in respect of seven municipalities.

In no case has the charge for sinking fund against the municipalities been deferred beyond the period permitted by the Power Commission Act.

The Reserve for Sinking Fund in respect of Rural Lines, amounting as at October 31, 1921, to \$195.11 represents charges of \$190.56 and \$4.55 against the municipalities of Brockville and Chester-ville, respectively, during the year ending October 31, 1921.

RESERVE FOR CONTINGENCIES - \$3,372.65:

The Reserve for Contingencies was established by the Commission for the purpose of providing for special losses or expenses not arising at regular intervals and not wholly applicable to the period in which incurred. Authority for the creation of such a Reserve is given in Section 14, of the Power Commission Act. The Reserve for Contingencies for this system is provided for by means of -

- (a) An annual charge of 25 cents per horse power on average power supplied in year to municipalities comprising the system and to private companies, excepting in 1920, when the rate was \$1.50 per horse power, as explained below
- (b) Profit on sales of miscellaneous equipment
- (c) Interest at 4% per annum on the balance of the account

During the fiscal year ending October 31, 1920, the loss on sales of power to companies amounted to \$3,167.22, including the

proportion of the reserve for contingencies for the year of \$999.90 applicable to the cost of power to those companies. As the reserve carried forward from the preceding year amounted to only \$1,555.24, the rate for the year was increased from 25 cents per H. P. to \$1.50 per H. P. providing a sum of \$3,185.52. After writing off the loss of \$3,167.22 and sundry contingent expenses, there remained in the reserve account at the close of the fiscal year (October 31, 1920) a credit balance of \$1,092.67.

For the purpose of showing the changes which have taken place in the account since its inception, to October 31, 1921, we have attached hereto Exhibit IV. The following brief summary has been prepared from that Exhibit:

Amounts included as part of the cost of power delivered-		
To Municipalities	\$3,295.78	
" Companies	<u>2,293.76</u>	\$5,589.56
Profit on sale of miscellaneous equipment		1,905.10
Interest at 4% per annum		<u>180.87</u>
<u>Together</u>		\$7,675.53
<u>Deduct-</u>		
Loss on power sold to com- panies in 1919 and 1920	4,282.03	
Less- Adjustment of loss due to reduction in renewal rates in 1921	<u>1,353.93</u>	
	\$2,928.10	
Expenditures to cover contingencies met with	<u>1,374.78</u>	4,302.88
<u>Balance, October 31, 1921</u>		<u>\$3,372.65</u>

ACCOUNTS WITH MUNICIPALITIES:

Accounts with municipalities are divided by the Commission, in the main, as follows:

Power Accounts Receivable

Due by Municipalities in respect of
the cost of power furnished them
as determined under the Power Com-
mission Act

Power Accounts Receivable - \$49,295.61 -

These accounts represent unpaid balances in respect of in-
terim power bills rendered, which at October 31, 1921, amounted to
\$49,295.61, all of which had been paid prior to September 20, 1922, the
date inquired into by us.

Due by Municipalities in Respect of Power - \$18,635.74 -

At the close of each fiscal year, the interim power bills
rendered monthly are adjusted to meet the operating costs of the System,
determined, as provided for in Sections 6c and 23 of the Power Commission
Act. Following are the amounts of the adjustments required of interim
bills rendered each year, for the four years ending October 31, 1921
(cents omitted):

<u>Particulars</u>	<u>Year ending October 31</u>			
	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>
Amounts due by certain municipali- ties being the excess of Cost of Power supplied, over the sums charged therefor in the period	\$5,437	\$5,288	\$6,055	\$7,994
<u>Deduct-</u> Amounts due to certain munici- palities being the excess of the sums charged for power fur- nished over the Cost of Power	359	324	-	6,307
Net amount due certain munici- palities in respect to Costs of Power supplied	\$5,078	\$4,964	\$6,055	\$1,687

As a result of the charges or credits such as the above as at
October 31, 1921, the balances due by the entire ten Municipalities
in the System aggregated \$18,635.74, representing under-payments for
power together with interest charges thereon, etc. The accounts of

three municipalities amounting to \$1,427.77 as at October 31, 1921, have since been paid, and the accounts of seven municipalities aggregating \$17,207.97 were still unpaid as at September 20, 1922.

For the purpose of ascertaining the length of time the balances of \$17,207.97 were outstanding, we have prepared and have attached hereto (Exhibit V), a statement which shows in respect of each account, the period of time, by fiscal years during which the balance has been accumulating and we would recommend that a careful study be made of the information therein presented. In explanation of the statement, we would mention that the charges or credits are, except for those marked with asterisks (*), in respect of adjustments of the interim power bills, to the actual cost of power determined under the provisions of the Power Commission Act. The interest is calculated at the rate of 4% per annum. The more important features to which we would draw your attention, are -

- (1) No credits are in respect of cash payments
- (2) With few exceptions the accounts show charges one year after another, indicating in these instances that interim power rates do not cover the actual cost of power
- (3) As indicated in the column headed "year" the balances of the Municipalities of Chesterville and Winchester extend back to 1914, and the balance charged against Brockville extends back to 1915
- (4) It will be noted from the Exhibit that the amounts due by three Municipalities were reduced through the revision of the Reserve for Renewals, from a rate of 4% previously charged, to a rate of 3% per annum, from the commencement of operations, to October 31, 1920. The municipalities and the amount of reduction due to this adjustment are-

Brockville	\$7,724.44
Chesterville	3,272.87
Winchester	2,161.59

With reference to the extension of the time for payment of accounts by municipalities, Section 23a of the Power Commission Act provides, that during the first three years after any municipality shall first begin to take power from the Commission, the time may be extended for payment of the sum payable by any municipality.

As previously mentioned, consideration is now being given by the Commission to a reduction, to be retroactively applied over a period of years in the rates and amounts of the reserves made for renewals, in respect of this System. Should such an adjustment be given effect to, the account due by each municipality will receive credit for its proportionate amount thereof provided the same practice is followed as formerly.

* * * * *

We shall be pleased to furnish such further information as may be desired, in connection with the accounts of the St. Lawrence System.

Yours very truly,

Eric Waterhouse

The following is a summary of the work done by the
Committee on the subject of the proposed
amendment to the Constitution of the United States
in the year 1913. The Committee has been
organized for the purpose of studying the
proposed amendment and of making recommendations
thereon to the Congress. The Committee has
held several public hearings and has received
many suggestions from the public. It has also
conducted extensive research into the history
and the merits of the proposed amendment.
The Committee believes that the proposed
amendment is a wise and necessary measure
and recommends that it be adopted by the
Congress.

RECOMMENDATIONS

The Committee recommends that the proposed
amendment be adopted by the Congress. It
believes that the amendment is a wise and
necessary measure and that it will
benefit the United States. The Committee
also recommends that the amendment be
adopted by the States.

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

ST. LAWRENCE SYSTEM - OPERATING ACCOUNT

Particulars	Year ending October 31,			
	1918	1919	1920	1921
REVENUE:				
From Municipalities	\$27,744.05	\$50,043.76	\$78,498.32	\$100,026.83
From Private Companies	-	3,969.00	22,870.72	32,966.30
Total Revenue	\$27,744.05	\$54,012.76	101,369.04	132,993.13
COST OF OPERATING, including Portion of				
Administrative Expense:				
Power Purchased	\$ 6,559.91	\$15,171.80	\$33,710.84	\$ 46,441.25
Transformer Stations and Metering Equipment- Operation-				
Labor	273.13	2,996.15	4,114.43	1,155.95
Material and Expense	138.37	604.75	936.08	1,899.22
Maintenance-				
Land, Buildings and Structures	6.30	-	38.00	404.14
Electric Equipment	78.60	128.19	142.33	1,414.39
Switchboard and Meters	115.20	481.82	369.86	-
Miscellaneous Equipment	79.24	105.25	123.86	235.10
Taxes, Insurance and General Expenses	26.25	25.82	27.73	79.95
Transmission Lines-				
Maintenance-				
Patrolling	139.94	1,553.32	1,701.64	4,196.24
Pole Lines	261.19	176.45	148.65	364.63
Right-of-Way	3,777.99	20.00	356.38	-
Miscellaneous Expense	549.97	508.14	502.93	316.34
Overhead Expenses-				
Head Office Salaries and Expenses	643.41	3,953.82	4,629.47	662.83
Field Office Salaries and Expenses	12.25	-	49.30	1,354.68
All Stations and Lines Undistributed Expenses	-	167.63	60.18	449.19
Municipal Expenses	430.76	946.31	2,528.51	5,066.49
Extraordinary Maintenance	-	-	-	2,389.12
Miscellaneous Expenses	610.18	478.63	1,806.06	2,856.21
Total Expenses	\$13,902.91	\$26,457.79	\$50,646.07	\$69,259.75
Balance before deducting Fixed Charges	\$13,841.14	\$27,554.97	\$50,722.97	\$63,733.38
Deduct- Fixed Charges-				
Interest on Capital Investment	\$ 6,830.91	\$14,701.67	\$24,597.99	\$31,766.25
Provision for Renewals	6,830.91	13,570.76	21,537.01	20,940.68
Provision for Sinking Fund	-	-	4,639.67	10,572.24
Provision for Contingencies	170.32	367.35	3,165.52	655.90
Total Fixed Charges	\$13,841.14	\$28,669.78	\$53,900.19	\$63,733.38
Net Loss, representing loss on sale of power to private companies, undistributed to Municipalities	\$ -	\$ 1,114.81	\$ 3,167.22	\$ -
Loss, transferred to Reserve for Contingencies	\$ -	\$ 1,114.81	\$ 3,167.22	\$ -

ST. LAWRENCE SYSTEM

ANALYSIS OF REVENUE FROM MUNICIPALITIES TOGETHER WITH
HORSE POWER LOADS AND RATES
(Subsidiary to Operating Account)

Particulars	Revenue			Average Horse Power	Actual Cost per H.P. (adjusted)	Interim Rates Per H.P.	
	Per Operating Account	Renewal Adjustment	Adjusted				
YEAR ENDING OCTOBER 31, 1918-						During Fiscal Year	
Brockville	\$ 13,320.17	\$ 829.13	\$ 12,491.04	322.4	\$ 38.74	\$30.00	
Chesterville	5,420.69	352.58	5,068.11	103.7	48.87	46.00	
Prescott	5,643.66	318.97	5,324.69	209.6	28.40	28.00	
Williamsburg	938.71	60.96	877.75	16.9	51.94	30.00	
Winchester	2,420.92	146.09	2,274.83	64.7	35.16	43.00	
Total	\$ 27,744.05	\$ 1,707.73	\$ 26,036.32	717.3			
YEAR ENDING OCTOBER 31, 1919-						To April 30	To October 31
Brockville	\$ 30,338.52	\$ 1,912.78	\$ 28,425.74	631.3	\$ 45.03	\$30.00	\$45.19
Chesterville	7,787.74	509.54	7,278.20	121.5	59.90	46.00	76.73
Prescott	7,098.72	412.47	6,686.25	191.4	34.93	28.00	44.93
Williamsburg	1,044.52	58.32	986.20	22.0	44.80	30.00	50.00
Winchester	3,774.26	221.18	3,553.08	71.7	49.55	43.00	69.84
Toronto Paper Company, Cornwall	3,969.00	277.92	3,691.08	210.3	(b) 17.55	37.75	37.75
Total	\$ 54,012.76	\$ 3,392.71	\$ 50,620.05	1,248.2			
YEAR ENDING OCTOBER 31, 1920-						During Fiscal Year	
Brockville	\$ 48,696.27	\$ 2,761.28	\$ 45,934.99	1,004.8	\$ 45.72	\$45.19	
Chesterville	11,591.65	694.62	10,907.03	148.0	73.69	76.73	
Prescott	10,694.20	516.66	10,177.54	201.8	50.43	44.93	
Williamsburg	1,045.79	45.27	1,000.52	18.6	53.79	50.00	
Winchester	6,470.41	311.53	6,158.88	83.9	73.41	69.84	
Toronto Paper Company, Cornwall	22,370.72	1,064.90	21,305.82	686.6	(b) 32.71	To November 30	To October 31
Total	\$101,369.04	\$ 5,394.26	\$ 95,984.78	2,123.7		\$37.75	\$34.16
YEAR ENDING OCTOBER 31, 1921-						To January 1	To October 31
Alexandria (January 1921)	\$ 9,612.28	-	\$ 9,612.28	96.2	(a) 99.92	\$65.00	\$65.00
Apple Hill (April 1921)	725.96	-	725.96	5.7	(a) 127.37	60.00	60.00
Brockville	54,345.35	-	54,345.35	1,073.9	50.61	45.19	55.00
Chesterville	11,437.49	-	11,437.49	150.9	75.79	76.73	85.00
Lancaster (May 1921)	2,059.55	-	2,059.55	6.1	(a) 337.63	97.00	97.00
Martintown (May 1921)	477.71	-	477.71	3.4	(a) 140.50	54.00	54.00
Maxville (February 1921)	3,370.48	-	3,370.48	19.6	(a) 171.96	86.00	86.00
Prescott	10,696.57	-	10,696.57	216.1	49.50	44.93	55.00
Williamsburg	1,351.15	-	1,351.15	11.5	117.49	50.00	73.89
Winchester	5,950.29	-	5,950.29	90.9	66.34	69.84	85.00
James Robertson	4.93	-	4.93	.3	(b) 16.43	12.00 H.P. plus 3.5¢ K.W.H.	
Howard Smith Paper Mills, Limited. (formerly the Toronto Paper Company)	32,961.37	-	32,961.37	964.9	(b) 34.16	\$34.16	
Total	\$132,993.13	\$ -	\$132,993.13	2,639.5			

NOTE:

- (a) Electrical power delivered to these municipalities during part of the year only, has been put on an annual basis. Further information relative to these rates is included in the attached report, under "Operating Account"
- (b) Average selling price per horse power

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

ST. LAWRENCE SYSTEM

Statement of Horse Power Loads and Rates
for the 10 months ending August 31, 1922

Particulars	Average Horse Power (Annual Basis)	Rates per H. P.		
		To January 1	January 1 to August 31	
			Original	Adjusted Retrospective to January 1
Alexandria	125.6	\$65.00	* \$65.00	\$80.00
Apple Hill	14.8	60.00	* 60.00	85.00
Brockville	963.2	55.00	55.00	
Chesterville	122.1	85.00	85.00	
Lancaster	16.9	97.00	97.00	
Martintown	9.9	54.00	* 54.00	85.00
Maxville	32.7	86.00	86.00	
Prescott	187.1	55.00	* 55.00	52.00
Williamsburg	7.4	73.89	* 73.89	95.00
Winchester	71.2	85.00	85.00	
Howard Smith Paper Mills, Limited	1390.5	27.13	27.13	
James Robertson	.9	12.00 plus 3.5¢ K.W.H.)	12.00 plus 3.5¢ K.W.H.)	

NOTE:

The original rates, in cases of adjustment of rates, were used in Interim Power Bills from January 1 to June 30, 1922.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIOST. LAWRENCE SYSTEM - RURAL LINESOPERATING ACCOUNT

<u>Particulars</u>	<u>Year ending October 31, 1921</u>
<u>REVENUE:</u>	
Interest, Renewals and Sinking Fund collectible from Municipalities	\$ 811.03
<u>Deduct-</u>	
Interest on Capital Investment	\$ 540.83
Provision for Renewals	10.12
Provision for Sinking Fund	195.11
	<u>\$ 746.06</u>
Surplus on lines operated by Commission (included in Surplus Account in Hydro- Electric power Commission Balance Sheet)	<u>\$ 64.97</u>

NOTE:

Rural Lines operated by the municipality of Brockville, and Chesterville District operated by the Commission, which municipality and district supply power and pay the operating expenses.

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

ST. LAWRENCE SYSTEM

STATEMENT SHOWING BASIS OF ANNUAL RATE FOR THE RESERVE FOR RENEWALS

Particulars	Capital Investment (October 31, 1920)		Estimated Residual Value		Reserve to be Provided					
	Total Amount	Estimated Life (in years)	% of Investment	Amount	Total Amount	Annual Provision (Sinking Fund Basis)	% of Investment	Annual Provision (Sinking Fund Basis)	% of Investment	Annual Provision (corrected)
LINES:										
Right-of-Way	\$ 14,614.	-	100	\$ 14,614.	\$ -	\$ -		\$ -		
Cable	84,748.	75	60	50,847.	33,898.	308.52		78.54		
Pole Line	170,423.	16	5	3,521.	161,902	9,381.41		7,418.35		
Together	\$ 269,782	-	-	\$ 73,982.	\$ 195,800	\$ 9,686.93	3.59	\$ 7,493.91	2.778	
STATIONS:										
Site	\$ 5,436.	-	100	\$ 5,436.	\$ -	\$ -		\$ -		
Buildings	81,061.	60	20	16,212.	64,849.	794.01		272.50.		
Electrical Equipment	176,218.	25	20	35,243.	140,975.	4,991.50		3,385.09.		
Mechanical Equipment	10,342.	25	5	517.	9,825.	347.91		235.92		
Together	\$ 273,057.	-	-	\$ 57,408.	\$ 215,649.	\$ 6,133.42.	2.246	\$ 3,893.51.	1.426	
Totals	\$ 542,839.	-	-	\$ 131,390.	\$ 411,449.	\$ 15,820.35	2.914	\$ 11,387.42	2.098	

RECONCILIATION WITH BOOK FIGURES

Balance in Capital Account at October 31, 1920	\$641,133.00
<u>Deduct</u> - Non-operating Capital (work under construction)	98,294.00
Balance as above	\$542,839.00

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

ST. LAWRENCE SYSTEM

STATEMENT OF RESERVE FOR CONTINGENCIES

Particulars	Year ending October 31					Together
	1917	1918	1919	1920	1921	
Balance at the beginning of the period	\$ -	\$ 167.47	\$ 353.47	\$1,555.24	\$1,092.67	\$ -
Amounts included as part of the cost of power delivered-						
To Municipalities	167.47	179.32	344.78	2,185.62	418.59	3,295.78
To sundry contract customers	-	-	82.57	999.90	1,241.31	2,293.78
Interest at 4% per annum on monthly balances at the credit of the account	-	6.68	14.13	62.20	97.86	180.87
Net Profit or Loss for the year on power sold to sundry power customers	-	-	1,114.81	3,167.22	-	4,282.03
Profit on Sales of Equipment	-	-	1,905.10	-	-	1,905.10
Adjustment (upon reduction of renewal rates) of loss to October 31, 1920, on power sold to Private Companies	-	-	-	-	1,353.93	1,353.93
	\$ 167.47	\$ 353.47	\$1,555.24	\$1,635.74	\$4,204.36	\$4,747.43
Deduct-						
Charges to the Reserve	-	-	-	543.07	831.71	1,374.78
Balance at close of fiscal year ending October 31,	\$ 167.47	\$ 353.47	\$1,555.24	\$1,092.67	\$3,372.65	\$3,372.65

1890-1891

1892-1893

1894-1895

1896-1897

1898-1899

1900-1901

1902-1903

1904-1905

1906-1907

1908-1909

1910-1911

1912-1913

1914-1915

1916-1917

1918-1919

1920-1921

1922-1923

1924-1925

1926-1927

1928-1929

1930-1931

1932-1933

1934-1935

1936-1937

1938-1939

1940-1941

1942-1943

1944-1945

1946-1947

1948-1949

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIOST. LAWRENCE SYSTEM

Statement of Accounts due by Municipalities in respect of
the Cost of Power at October 31, 1921,
still unpaid at September 20, 1922.

Municipality	Year	Charge or Credit	Interest	Adjustments	Balance October 31, 1921
Alexandria	1921	\$3,490.01	\$ -	\$ -	\$ 3,490.01
Apple Hill	1921	398.46	-	-	398.46
Brockville	1915	1,701.85		-	
	1916	301.89	63.07	-	
	1917	765.54	58.72	-	
	1918	3,647.67	91.69	-	4,052.08
	1919	4,333.96	241.26	-	
	1920	3,291.00	424.28	-	
	1921	2,809.37	263.90	* 7,724.44	
Chesterville	1914	151.47	-	-	
	1915	877.27	6.06	-	
	1916	1,901.73	41.39	-	
	1917	2,340.38	119.11	-	
	1918	650.48	217.50	-	4,618.29
	1919	164.36	307.77	***1,388.88	
	1920	404.57	326.65	-	
	1921	1,731.46	224.99	* 3,272.87	
Lancaster	1921	1,464.63	-	-	1,464.63
Maxville	1921	1,778.83	-	-	1,778.83
Winchester	1914	3,359.73	-	-	
	1915	932.86	134.39	-	
	1916	1,543.52	177.07	-	
	1917	1,401.83	246.90	-	1,405.67
	1918	389.37	311.85	-	
	1919	324.22	-	***3,040.28	
	1920	613.18	-	-	
	1921	1,518.39	117.19	* 2,161.59	
			Total		\$17,207.97

Note-

* Represents reduction in Reserve for Renewals from 4 to 3% for period from commencement of operation to October 31, 1920.

** Adjustment of cost of power for year 1914

No Payments have been made on account from October 31, 1921 to September 20, 1922

*** Adjustment of 1914 Power Cost

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIOST. LAWRENCE SYSTEM

Excerpts from Agreement dated July 26, 1912,
entered into by the Hydro-Electric Power
Commission of Ontario (acting on its own be-
half and with the approval of the Lieutenant-
Governor-in-Council) and the Municipal Cor-
porations of Brockville and Prescott.

This Indenture made this Twenty-sixth day of July, A.D. 1912, Between the Hydro-Electric Power Commission of Ontario, acting herein on its own behalf and with the approval of the Lieutenant-Governor-in-Council, (hereinafter called the Commission), party of the First Part, and The Municipal Corporations of Brockville and Prescott (hereinafter called the Corporations), parties of the Second Part.

Whereas pursuant to "An Act to provide for transmission of electrical power to Municipalities," and the amendments thereto, the Corporations applied to the Commission to transmit and supply such power, and the Commission has entered into contracts with a Company or Companies for the supply of such power at the prices set forth in the schedule, hereto attached, and the Commission has furnished the Corporations with estimates, as shown in the schedule of the total cost of such power, and the electors of the Corporations assented to By-laws authorizing the Corporations to enter into a contract with the Commission for such power, and the Commission have estimated the line loss and the cost to construct, operate, maintain, repair, renew and insure a line to transmit such power to the Corporations, and have apportioned the part of such cost to be paid by each Corporation as shown in said schedule.

Now therefore this Indenture witnesseth that in consideration of the premises and of the agreements of the Corporations herein set forth, subject to the provisions of said Act and the amendments thereto, and of the said contracts subject to any variations thereof by the Corporations, the Commission agrees with the Corporations respectively:

1. (a)

To construct a line to transmit the quantities of electric power, shown in column 2 of the said schedule to the Corporations shown in Column 1 respectively.

(b)

On the 1st day of December 1912, or on any earlier day on which the Commission shall be prepared to supply said power in quantities set forth in column 2 of said schedule to the Corporations within the limits thereof, ready for distribution at approximately the number of volts set forth in column 4 of said schedule, and approximately 60 cycles per second frequency.

(c)

At the expiration of three months' written notice, which may be given by the Corporations or any of them from time to time during the continuance of this agreement, to supply from time to time to the Corporations in blocks of not less than 100 horse power each, additional power until the total amount so supplied shall amount to 15,000 horse power, or such further amount as the Commission may be able and willing to supply.

(d)

To use at all times first-class, modern, standard, commercial apparatus and plant and to exercise all due skill and diligence so as to secure the most perfect operation of the plant and apparatus of the Corporations.

In consideration of the premises and of the agreements herein set forth each of the Corporations for itself, and not one for the other, agrees with the Commission:

2. (a)

Subject to the provisions of paragraph 2 (g) hereof, to pay to the Commission for the quantities of power shown in column 2 of said schedule to be supplied as aforesaid from the date when the Commission notifies the Corporations that it is ready to supply such power, and for all additional power held in reserve upon any of the above mentioned notices from the respective dates thereof until the termination of this Agreement, the price set forth in Column 3 of said schedule in twelve monthly payments, in gold coin of the present standard of weight and fineness, and bills shall be rendered by the Commission on or before the fourth and paid by the Corporation on or before the fifteenth of each month. If any bill remains unpaid for 15 days, the Commission may, in addition to all other remedies and without notice, discontinue the supply of such power to the Corporations in default until said bill is paid. No such discontinuance shall relieve the Corporation in default from the performance of the covenants, provisions, and conditions herein contained. All payments in arrears shall bear interest at the legal rate.

(b)

To take electric power exclusively from the Commission during the continuance of this agreement; provided, if the Commission is unable to supply said power as quickly as required, the Corporations may obtain the supply otherwise until the Commission has provided such supply, thereupon the Corporations shall immediately take from the Commission, and the Corporations may generate, store or accumulate electric power for emergencies, or to keep down the peak load of the power taken from the Commission; and nothing herein contained shall affect existing contracts between the Corporations and other parties for a supply of electric power, but the Corporations shall determine said contracts at the earliest date possible.

(c)

To pay, annually, interest at four per cent per annum upon its proportionate part of the moneys expended by the Commission on capital account for the construction of the said line, transformer stations and other necessary works, shown, respectively, in column 6 of said schedule, subject to adjustment under paragraph 9.

(d)

To pay an annual sum for its proportionate part of the cost of the construction of said line, stations and works, shown, respectively, in column 6 of said schedule, subject to adjustment under paragraph 9, so as to form in thirty years a sinking fund for the retirement of the securities to be issued by the Province of Ontario.

(e)

To bear its proportionate cost of the line loss and pay its proportionate part of the cost to operate, maintain, repair, renew and insure the said line, stations and works, shown, respectively, in column 7 of said schedule, subject to adjustment under paragraph 9.

(f)

To keep, observe and perform the covenants, provisions and conditions set forth in said contracts, intended by the Commission and the Company to be kept and observed and performed.

(g)

To pay as a minimum for three-fourths of the power to be supplied at said date and of the power held in reserve upon any of the said notices, whether the said power is taken or not; and when the greatest amount of power taken for twenty consecutive minutes in any month shall exceed during such twenty minutes three-fourths of the amount to be supplied and held in reserve to pay for this greater amount during that entire month; the amount payable for a month being one-twelfth part of the annual rate applicable to the horse power in question. When the power factor of the greatest amount of power taken for said twenty minutes falls below 90%, the Corporations shall pay for 90% of said power divided by the power factor.

(h)

To take no more power than the amount to be supplied and held in reserve at said date and upon said notices as per paragraph 1 (c).

(i)

To use at all times first-class, modern, standard, commercial apparatus and plant to be approved by the Commission.

(j)

To exercise all due skill and diligence so as to secure the most perfect operation of the plant and apparatus of the Commission and the Company.

3. If, as therein provided, the said contracts are continued until Nineteen hundred and forty-two (1942) this agreement shall remain in force until that date.

4. In case any municipal corporation, or any person, firm or corporation which shall contract with the Commission or with any municipal corporation for a supply of power furnished to the Commission by the Company shall suffer damages by the act or neglect of the Company, and such municipal corporation, person, firm or corporation would, if the Company had made the said contracts directly with them, have had a right to recover such damages or commence any proceedings or any other remedy, the Commission shall be entitled to commence any such proceedings or bring such action for or on behalf of such

municipal corporation, person, firm or corporation, and notwithstanding any Statute, decision or rule of law to the contrary, the Commission shall be entitled to all the rights and remedies of such municipal corporation, person, firm or corporation, including the right to recover such damages but no action shall be brought by the Commission until such municipal corporation, person, firm or corporation shall have agreed with the Commission to pay any costs that may be adjudged to be paid if such proceedings or action is unsuccessful. The rights and remedies of any such municipal corporation, person, firm or corporation shall not be hereby prejudiced.

9. The Commission shall at least annually adjust and apportion the amounts payable by municipal corporations for such power and such interest, sinking fund, line loss, and cost of operating, maintaining, repairing, renewing, and insuring the line and works.

10. (a)

If at any time, any other municipal corporation, or pursuant to said Act, any railway or distributing company or any other corporation or person, applies to the Commission for a supply of power, the Commission shall notify the applicant and the Corporations, parties hereto, in writing, of a time and place and hear all representations that may be made as to the terms and conditions for such supply.

(b)

Without discrimination in favor of the applicants as to the price to be paid, for equal quantities of power, the Commission may supply power upon such terms and conditions as may, having regard to the risk and expense incurred, and paid, and to be paid by the Corporations, parties hereto, appear equitable to the Commission, and are approved by the Lieutenant-Governor-in-Council.

(c)

No such application shall be granted if the said line is not adequate for such supply, or if the supply of the Corporations, parties hereto, will be thereby injuriously affected, and no power shall be supplied within the limits of a municipal corporation taking power from the Commission at the time of such application, without the written consent of such corporation.

(d)

In determining the quantity of power supplied to a municipal corporation, the quantity supplied by the Commission within the limits of the Corporation to any applicant, other than a municipal corporation, shall be computed as part of the quantity supplied to such corporation, but such corporation shall not be liable to pay for the power so supplied, or otherwise in respect thereof. No power shall be supplied, by any municipal corporation, to any railway or distributing company, without the written consent of the Commission.

11. It is hereby declared that the Commission is to be a trustee of all property held by the Commission under this

agreement for the corporations and other municipal corporations supplied by the Commission, but the Commission shall be entitled to a lien upon said property for all moneys expended by the Commission under this agreement and not repaid. At the expiration of this agreement, the Commission shall determine and adjust the rights of the Corporations and other municipal corporations, supplied by the Commission, having regard to the amounts paid by them, respectively, under the terms of this agreement, and such other considerations as may appear equitable to the Commission and are approved by the Lieutenant-Governor-in-Council.

12. Each of the Corporations agree with the other:

(a)

To take electric power exclusively from the Commission during the continuance of this agreement, subject to the provisions above set forth in paragraph 2(b).

(b)

To co-operate, by all means in its power, at all times, with the Commission, to increase the quantity of power required from the Commission, and in all other respects to carry out the objects of this agreement and of the said Act.

13. If differences arise between the Corporations the Commission may upon application fix a time and place to hear all representations that may be made by the parties and the Commission shall, in a summary manner, when possible, adjust such differences and such adjustments shall be final. The Commission shall have all the powers that may be conferred upon a Commission appointed under the Act representing Enquiries concerning Public Matters.

